

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY JOINT FIRE DISTRICT NO. 1

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 45,769	\$ 45,573	\$ (196)
Delinquent tax		290	290
Motor vehicle tax	2,001	3,240	1,239
16/20M vehicle tax	162	126	(36)
Recreation vehicle tax	30	41	11
TOTAL CASH RECEIPTS	47,962	49,270	1,308
Expenditures:			
Allocations	49,652	49,652	-
Receipts over (under) expenditures	(1,690)	(382)	1,308
Beginning Unencumbered Cash Balance	1,690	2,245	555
Ending Unencumbered Cash Balance	\$ -	\$ 1,863	\$ 1,863

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 2

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 22,000	\$ 21,852	\$ (148)
Delinquent tax		65	65
Motor vehicle tax	999	1,502	503
16/20M vehicle tax	29	68	39
Recreation vehicle tax	62	93	31
Other		93	93
TOTAL CASH RECEIPTS	23,090	23,673	583
Expenditures:			
Contractual services and other charges	10,500	10,174	326
Materials and supplies	9,000	7,330	1,670
Capital outlay	10,194	8,705	1,489
TOTAL EXPENDITURES	29,694	26,209	3,485
Receipts over (under) expenditures	(6,604)	(2,536)	4,068
Beginning Unencumbered Cash Balance	6,604	15,313	8,709
Ending Unencumbered Cash Balance	\$ -	\$ 12,777	\$ 12,777

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY JOINT FIRE DISTRICT NO. 3

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 20,000	\$ 18,230	\$ (1,770)
Delinquent tax		310	310
Motor vehicle tax	1,813	2,529	716
Local ad valorem tax reduction		1,663	1,663
16/20M vehicle tax	226	217	(9)
Recreation vehicle tax	114	135	21
Other		5,013	5,013
Grant revenue		1,220	1,220
TOTAL CASH RECEIPTS	22,153	29,317	7,164
Expenditures:			
Contractual services and other charges	7,000	6,442	558
Materials and supplies	7,000	63,533	(56,533)
Capital outlay	47,357	47,348	9
Adjustment for qualifying budget credit	56,985		56,985
TOTAL EXPENDITURES	118,342	117,323	1,019
Receipts over (under) expenditures	(96,189)	(88,006)	8,183
Beginning Unencumbered Cash Balance	96,189	104,519	8,330
Ending Unencumbered Cash Balance	\$ -	\$ 16,513	\$ 16,513

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY JOINT FIRE DISTRICT NO. 4

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 13,500	\$ 13,406	\$ (94)
Delinquent tax		57	57
Motor vehicle tax	943	1,259	316
16/20M vehicle tax	69	104	35
Recreation vehicle tax	18	25	7
Other		177	177
TOTAL CASH RECEIPTS	14,530	15,028	498
Expenditures:			
Personnel services	1,400	1,380	20
Contractual services and other charges	8,000	3,741	4,259
Materials and supplies	8,000	8,172	(172)
Capital outlay	40,691	16,999	23,692
Adjustment for qualifying budget credit	3,709		3,709
TOTAL EXPENDITURES	61,800	30,292	31,508
Receipts over (under) expenditures	(47,270)	(15,264)	32,006
Beginning Unencumbered Cash Balance	47,270	55,703	8,433
Ending Unencumbered Cash Balance	\$ -	\$ 40,439	\$ 40,439

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 5

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 103,000	\$ 97,362	\$ (5,638)
Delinquent tax		5,227	5,227
Motor vehicle tax	10,182	17,081	6,899
16/20M vehicle tax	225	199	(26)
Recreation vehicle tax	325	389	64
Other		2,271	2,271
Grant revenue	1,500	5,272	3,772
TOTAL CASH RECEIPTS	115,232	127,801	12,569
Expenditures:			
Personnel services	4,140	4,140	-
Contractual services and other charges	24,180	24,163	17
Materials and supplies	29,600	31,842	(2,242)
Capital outlay	63,620	61,396	2,224
Adjustment for qualifying budget credit	2,272		2,272
TOTAL EXPENDITURES	123,812	121,541	2,271
Receipts over (under) expenditures	(8,580)	6,260	14,840
Beginning Unencumbered Cash Balance	8,580	9,882	1,302
Ending Unencumbered Cash Balance	\$ -	\$ 16,142	\$ 16,142

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 6

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 12,000	\$ 11,832	\$ (168)
Delinquent tax		424	424
Motor vehicle tax	1,363	2,036	673
16/20M vehicle tax	133	137	4
Recreation vehicle tax	81	96	15
Other		182	182
TOTAL CASH RECEIPTS	13,577	14,707	1,130
Expenditures:			
Personnel services	1,000	690	310
Contractual services and other charges	6,500	6,054	446
Materials and supplies	6,500	6,255	245
Capital outlay	2,876	1,750	1,126
TOTAL EXPENDITURES	16,876	14,749	2,127
Receipts over (under) expenditures	(3,299)	(42)	3,257
Beginning Unencumbered Cash Balance	3,299	14,742	11,443
Ending Unencumbered Cash Balance	\$ -	\$ 14,700	\$ 14,700

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 7

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 36,000	\$ 35,479	\$ (521)
Delinquent tax		666	666
Motor vehicle tax	3,039	4,906	1,867
16/20M vehicle tax	69	92	23
Recreation vehicle tax	178	128	(50)
Other		71	71
TOTAL CASH RECEIPTS	39,286	41,342	2,056
Expenditures:			
Personnel services			
Contractual services and other charges	19,500	18,719	781
Materials and supplies	19,500	18,908	592
Capital outlay	27,876		27,876
TOTAL EXPENDITURES	66,876	37,627	29,249
Receipts over (under) expenditures	(27,590)	3,715	31,305
Beginning Unencumbered Cash Balance	27,590	82,321	54,731
Ending Unencumbered Cash Balance	\$ -	\$ 86,036	\$ 86,036

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 8

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 25,000	\$ 25,024	\$ 24
Delinquent tax		9	9
Motor vehicle tax	55	85	30
16/20M vehicle tax	1	1	-
Recreation vehicle tax	2	4	2
Rent		158	158
TOTAL CASH RECEIPTS	25,058	25,281	223
Expenditures:			
Personnel services	2,000	600	1,400
Contractual services and other charges	10,000	8,556	1,444
Materials and supplies	10,000	2,004	7,996
Capital outlay	40,166		40,166
TOTAL EXPENDITURES	62,166	11,160	51,006
Receipts over (under) expenditures	(37,108)	14,121	51,229
Beginning Unencumbered Cash Balance	37,108	66,913	29,805
Ending Unencumbered Cash Balance	\$ -	\$ 81,034	\$ 81,034

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - COMPONENT UNIT
BUDGET AND ACTUAL - GENERAL FUND - (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 10

Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Ad valorem tax	\$ 67,965	\$ 65,830	\$ (2,135)
Delinquent tax		1,078	1,078
Motor vehicle tax	9,401	15,463	6,062
16/20M vehicle tax	160	205	45
Recreation vehicle tax	407	534	127
Reimbursed expenses		118	118
TOTAL CASH RECEIPTS	77,933	83,228	5,295
Expenditures:			
Contractual services and other charges	10,000	8,984	1,016
Materials and supplies	15,400	14,737	663
Capital outlay	55,580	55,570	10
TOTAL EXPENDITURES	80,980	79,291	1,689
Receipts over (under) expenditures	(3,047)	3,937	6,984
Beginning Unencumbered Cash Balance	3,047	20,636	17,589
Ending Unencumbered Cash Balance	\$ -	\$ 24,573	\$ 24,573

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
COMPONENT UNIT (STATEMENT 5)**

POTTAWATOMIE COUNTY FIRE DISTRICT NO. 10 RESERVE

Year Ended December 31, 2006

Cash Receipts:	\$
Expenditures:	<hr/>
Receipts over (under) expenditures	-
Beginning Unencumbered Cash Balance	<hr/> 21,000
Ending Unencumbered Cash Balance	<hr/> <hr/> \$ 21,000

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
COMPONENT UNIT (STATEMENT 5)**

POTTAWATOMIE COUNTY ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2006

Cash Receipts:

Transfers from primary government	\$ 182,000
Proceeds from disposition of property	194,664
Rental income	6,866
Interest revenue	<u>9,348</u>

TOTAL CASH RECEIPTS	<u>392,878</u>
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Expenditures:

Personnel services	75,521
Employee benefits	5,389
Contractual services and other charges	133,875
Materials and supplies	20,901
Capital outlay	1,143
Interest	<u>95</u>

TOTAL EXPENDITURES	<u>236,924</u>
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Receipts over (under) expenditures	155,954
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Beginning Unencumbered Cash Balance	<u>206,619</u>
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Ending Unencumbered Cash Balance	<u><u>\$ 362,573</u></u>
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See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
COMPONENT UNIT (STATEMENT 5)**

POTTAWATOMIE COUNTY EXTENSION COUNCIL

Year Ended December 31, 2006

Cash Receipts:

Transfers from primary government	\$ 145,000
Interest revenue	641
Kansas State University reimbursement	35,360
Educational services	9,219
Grants	18,434

TOTAL CASH RECEIPTS	<u>208,654</u>
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Expenditures:

Personnel services	105,678
Personnel services reimbursed by Kansas State University	35,360
Employee benefits	23,809
Contractual services and other charges	36,252
Contractual services and other charges - grant expenditures	23,347
Materials and supplies	3,169

TOTAL EXPENDITURES	<u>227,615</u>
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Receipts over (under) expenditures	(18,961)
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Beginning Unencumbered Cash Balance	<u>40,534</u>
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Ending Unencumbered Cash Balance	<u><u>\$ 21,573</u></u>
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See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pottawatomie County, Kansas (County) is governed by an elected three-member commission. These financial statements present the County (the primary government) and its component units. The accounting policies of the County conform to the cash-basis and budget laws of Kansas. The following is a summary of the more significant policies:

1. The Financial Reporting Entity: The financial reporting entity of the County is comprised of the primary government (the County) and its component units.

The basic criterion for including a separate governmental entity in the County's financial reporting entity is the financial accountability of the County for the separate entity. The County is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

The County's component units are discussed in Note A.5. and are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

2. Fund Accounting: The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

Proprietary Funds

Enterprise Funds are used to account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private business enterprises and (a) are intended to be self supporting through charges to users or (b) the governing body has deemed it appropriate to account for them as enterprise funds for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the County in a trust capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Included in this classification are distributable funds, which are used to account for tax receipts which are to be distributed to the other funds of County and to the other political subdivisions within the County for whom the County acts as agent.

3. Basis of Presentation: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and the expenditure would be charged in the fund from which the transfer is made.

The County has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles: The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the County are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

4. Budgetary Information: Kansas statutes require that an annual operating budget be legally adopted for the general funds of the County and County Fire Districts, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:
- a. Preparation of the budget for the succeeding calendar year on or before August 1st. At the County, this process begins in May when budget worksheets are mailed to each department. These budget worksheets are returned to the County Administrator's Office for compilation and verification in June. The County Commissioners review budgets by each department in June and July.
 - b. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
 - c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
 - d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund; County policy requires such transfers to be approved by the County Commissioners. However, statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

A legal operating budget is not required for capital project funds, trust funds, and the following special revenue funds and enterprise funds:

- Special Highway Improvement
- Attorney Check Fee
- Attorney Forfeiture Fund
- Law Enforcement Trust
- Capital Improvement
- Equipment Reserve
- Prosecuting Attorney Training
- Special Auto
- Deeds Technology
- Blue Township Sewer Reserve
- Timbercreek Water Reserve
- Fostoria Sewer Reserve

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Discretely Presented Component Units: The component units section of the financial statements include the financial data of the County's component units which include the Fire Districts listed in the table of contents (Fire Districts), the Pottawatomie County Economic Development Corporation and the Pottawatomie County Extension Council. They are reported separately to emphasize that they are legally separate from the County. The governing bodies of the Fire Districts, and the Development Corporation are appointed by the County Commissioners. The Extension Council's budget is subject to approval by the County Commissioners.

Separate financial information on the Fire Districts may be obtained from the County Administrator. Separate financial statements of the Development Corporation may be obtained at its office in Wamego, Kansas. Separate financial statements of the Extension Council may be obtained at its office in Westmoreland, Kansas.

6. Special Assessments: Projects financed in part by special assessments are financed through general obligation bonds of the County and are either retired from the General Fund or the Bond and Interest Debt Service Fund as appropriate. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the General Fund or the Bond and Interest Debt Service Fund as appropriate.
7. Investments: Investments are stated at cost, which approximates market.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

8. Compensated Absences: The County provides certain vacation time benefits, i.e., paid time off, to full and part-time employees based upon length of service with the County. Unused vacation time up to a maximum of 160 hours is paid to the employee or legal representative of the employee upon termination of employment, retirement or death. Payment of unused vacation time is based upon the employee's rate of pay at the time of termination, retirement or death. At December 31, 2006, the County's liability for unused vacation time is approximately \$212,000 attributable entirely too governmental funds.
9. Property Taxes: In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year.

NOTE B—DEPOSITS AND INVESTMENTS

As of December 31, 2006, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>	<u>Rating</u>
US Government Securities	\$11,499,140	Less than 1 year	N/A

K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds have a main or branch bank in the county in which the Government is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In additional K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The County has no investment policy that would further limit it investment choices. The rating of the County's investments is noted above.

Concentration of credit risk: State statutes place no limit on the amount the County may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The County's allocation of investments as of December 31, 2006, is as follows:

<u>Investments</u>	<u>% of Investments</u>
US Government Securities	100%

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require the County's deposits in financial institutions to be entirely covered by federally depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The County's designated "peak periods" are from December 3 – February 3 and April 15 – June 15. All deposits were legally secured at December 31, 2006.

At December 31, 2006, the carrying amount of the County's deposits, including certificates of deposit, was \$35,887,285 and the bank balance was \$24,771,954. The bank balance was held by nine banks which do not result in a concentration of credit risk. Of the bank balance, \$909,312 was covered by federal depository insurance, \$21,350,217 was collateralized with securities held by the pledging financial institutions' agents in the County's name and the remaining \$2,512,425 was unsecured under a designated peak period.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Component Units: The cash of the Fire Districts was held by the County in an agency capacity and is included in the above analyses.

At year-end, the carrying amount of the Pottawatomie County Economic Development's deposits including certification of deposit was \$362,573 and the bank balance was \$377,978. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance \$249,786 was covered by FDIC insurance and the remaining portion of \$128,192 is covered by pledged securities held under joint custody issued by a third-party bank in the Economic Development's name.

At year-end, the carrying amount of the Pottawatomie County Extension's deposits was \$21,573 and the bank balance was \$41,558. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance \$41,558 was covered by FDIC insurance.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

NOTE C—GENERAL LONG-TERM DEBT

The following is a summary of debt transactions of the County for the year ended December 31, 2006:

	General Obligation	Temporary Notes	Capital Leases	TOTAL
Payable, beginning of year	\$ 3,191,229	\$ 1,510,000	\$ 23,877	\$ 4,725,106
Issued	2,940,000	3,055,000		5,995,000
Retired	185,600	3,475,000	20,919	3,681,519
Payable, end of year	<u>\$ 5,945,629</u>	<u>\$ 1,090,000</u>	<u>\$ 2,958</u>	<u>\$ 7,038,587</u>

Total interest expense for the year was \$244,145.

See Notes M and N for the schedules of long-term liabilities and current maturities of long-term debt.

Bonded Indebtedness Limitation

Kansas statutes restrict the level of the authorized and outstanding bonded indebtedness of the County to not more than three percent of the assessed value of all tangible property within such county, as certified to the County Clerk on the preceding August 25.

At December 31, 2006 based on the assessed valuation as of August 25, 2006 of \$395,033,252 the general obligation limit was \$11,850,998 which after reduction for outstanding eligible general obligation bonds totaling \$5,945,629 provides a general obligation debt margin of \$5,905,369.

NOTE D—COMPONENT UNIT DEBT

Fire District #2 was obligated at December 31, 2006 for a capital lease of \$39,367, primarily covering equipment, expiring through 2012, at an imputed interest of 3.95 percent

Fire District #3 was obligated at December 31, 2006 for a capital lease of \$30,253, primarily covering equipment, expiring through 2011, at an imputed interest of 3.95 percent.

Fire District #5 was obligated at December 31, 2006 for capital leases of \$212,796, primarily covering equipment and building improvements, expiring through 2013, at varying rates of imputed interest from 3.95 to 5.0 percent.

Fire District #10 was obligated at December 31, 2006 for capital leases of \$72,325, primarily covering equipment, expiring through 2010, at an imputed interest from 4.0 percent.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

Pottawatomie County Economic Development Corporation was obligated at December 31, 2006 for a mortgage note of \$132,203, for the purchase of real estate, expiring through 2012, with an interest rate of 4.95 percent.

NOTE E—DEFINED BENEFIT PENSION PLAN

Plan Description: The County participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at four percent of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at seven percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January through June 2006 was 4.61% and from July through December the rate was 4.81%. The County employer contributions to KPERS for the years ending December 31, 2006, 2005, and 2004, were \$158,048, \$124,208, and \$104,138, respectively, equal to the statutory required contributions for each year. The KP&F employer rate established for the calendar year beginning in 2006 is 12.39 percent. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The County's employer contributions to KP&F for the years ending December 31, 2006, 2005, and 2004 were \$112,789, \$88,984, and \$65,710, respectively, equal to the required contributions for each year.

NOTE F—DEFERRED COMPENSATION

The County sponsors a salary deferral plan that covers all full-time employees who have met certain service requirements. Contributions to the plan with the exception of required matching contributions are at the discretion of the County commissioners. During 2006 retirement plan expense was approximately \$34,677.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

NOTE G—OTHER POST EMPLOYMENT BENEFIT

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

NOTE H—CAPITAL PROJECTS

At year-end, capital project authorizations compared with expenditures from inception are as follows:

	Expenditures to Date	Project Authorizations
Timbercreek Water Improvements	\$ 671,644	\$ 725,000
Sunset Ridge	187,637	210,000
Elbo Creek Estates Unit 1	695,177	765,000
Wildcat Woods Phase 1	1,114,742	1,200,000
Eagles Landing Unit 6	354,808	370,000
Eagles Landing Unit 7	230,585	255,000
Falling Leaf Construction	222,022	280,000
Eagles Landing Unit 8	310,645	400,000
Cedar Meadows Construction	62,555	75,000
Country Breeze Construction	92,019	125,000
Total	<u>\$ 3,941,834</u>	<u>\$ 4,405,000</u>

NOTE I—COMMITMENTS AND CONTINGENCIES

Litigation—There are a number of claims and/or lawsuits to which the County is a party as a result of matters and complaints arising in the ordinary course of County activities. The County management and legal counsel anticipate that the potential claims against the County not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the County.

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

Solid Waste Landfill Post-closure Care Costs—The County closed its solid waste facility and received approval over the period of 1993 through 1995. Any liability for post-closure care costs associated with the landfill has not been determined. The County incurs costs annually to monitor the closed facility.

Risk Management—The County is exposed to various risks of loss related to theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The County manages these various risks of loss through commercial insurance with varying deductibles. All deductibles are under \$5,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE J—BUDGETED FUNDS

The budgets for the Timbercreek Water Operations and Blue Township Sewer Operations were amended during 2006. The Summary of Expenditures—Budget and Actual (Statement 2) and Statement of Cash Receipts and Expenditures (Statements 3 and 6) reflect these amendments.

NOTE K— TRANSFERS

Operating transfers were as follows:

FROM	TO	Statutory Authority	Amount
General Fund	PC Economic Development	K.S.A 1-4102	\$ 182,000
General Fund	PC Extension Services	K.S.A 2-610	145,000
General Fund	Special Highway Fund	K.S.A 68-590	125,210
General Fund	Capital Improvement Fund	K.S.A 12-1, 118	2,000,000
General Fund	Bond & Interest Fund		4,200
Rural Highway System	General Fund	K.S.A 68-590	1,176,178
Utility Operations Funds	Utility Reserve Funds	K.S.A 12-825d	67,388
E-911 Fund	Emergency Telephone Tax		2,488
Capital Projects Funds	Bond & Interest Fund	Close-out	23,681
Bond & Interest Fund	General Fund	Close-out	969
Special Auto Fund	General Fund	Non-budgeted	107,507
			<u>\$ 3,834,621</u>

NOTE L—CONCENTRATIONS

The County receives approximately fifty-eight percent of its ad valorem taxes from one taxpayer who operates a coal burning electric generation plant located in the County.

NOTES TO FINANCIAL STATEMENTS**POTTAWATOMIE COUNTY, KANSAS****NOTE M - SCHEDULE OF LONG-TERM DEBT**

The following is a schedule of changes in long-term debt for the County for the year ended December 31, 2006:

	Interest Rate	Date Issued	Original Amount	Date of Final Maturity
General Obligation Bonds				
1995 Fostoria	5.25%	10/19/1995	\$ 46,029	10/19/1935
1996-A Hunters Crossing III Timbercreek II Phase III	4.8/5.6%	8/1/1996	501,000	10/1/2016
1997-A Prairie Ridge Water Line	5.55/5.75%	2/1/1997	69,986	10/1/2007
1997-B Timbercreek II, IIIB	4.45/4.75%	9/1/1997	211,000	10/1/2007
1998 Hunters Crossing II	4.20/4.85%	9/1/1998	172,000	10/1/2013
2001-A Hunters Crossing III/ Timber Crk II, Phase 4A	4.15/5.62%	1/15/2001	625,000	10/1/2016
2001-B Hunters Crossing IIIB/ Eagles Landing I	3.90/5.30%	10/15/2001	560,000	10/1/2021
2002-A Timbercreek II Phase IVB	3.60/5.00%	5/1/2002	415,000	10/1/2017
2002-B Eagles Landing II	4.60/5.50%	9/15/2002	385,000	10/1/2022
2005-A Eagles Landing Unit III & IV	3.60/5.00%	4/1/2005	745,000	10/1/2025
2005-B Eagles Landing Unit V	4.05/5.50%	10/1/2005	300,000	10/1/2025
2006-A Eagles Landing Unit VI & VII	4.15/5.50%	6/15/2006	585,000	10/1/2026
2006-B Timbercreek Water Improv	3.80/5.25%	6/15/2006	550,000	10/1/2016
2006-C Elbo Creek Estates I/ Wildcat Woods I	3.65/5.00%	10/1/2006	1,805,000	10/1/2026
TOTAL GENERAL OBLIGATION BONDS			<u>6,970,015</u>	
Temporary Notes (series)				
2005-2 Eagles Landing Unit 6	3.45%	7/1/2005	370,000	7/1/2006
2005-3 Eagles Landing Unit 7	3.58%	12/1/2005	255,000	12/1/2006
2005-4 Sunset Ridge	3.49%	12/1/2005	210,000	12/1/2006
2005-5 Timbercreek Water District Improvements	3.53%	12/15/2005	675,000	12/15/2006
2006-1 Wildcat Woods Phase I	3.46%	2/15/2006	1,200,000	2/18/2007
2006-2 Elbo Creek Estates I	3.46%	2/15/2006	765,000	2/15/2007
2006-3 Falling Leaf	3.68%	4/1/2006	280,000	4/1/2007
2006-4 Eagles Landing Unit VIII	3.94%	9/15/2006	400,000	9/15/2007
2006-5 Cedar Meadows/ County Breeze	3.60%	10/1/2006	200,000	10/1/2007
2006-6 Sunset Ridge	3.84%	12/1/2006	210,000	12/1/2007
TOTAL TEMPORARY NOTES			<u>4,565,000</u>	
Capital Leases				
District Court Copier	4.03%	7/1/2005	6,092	07/01/08
Vehicle (sherriff)	3.85%	11/21/05	18,750	12/21/06
TOTAL CAPITAL LEASES			<u>24,842</u>	
Compensated absences				
TOTAL INDEBTEDNESS			<u>\$ 11,559,857</u>	

Outstanding January 1, 2006	Issued	Retired	Net Change	Outstanding December 31, 2006	Interest Paid
\$ 41,229	\$	\$ 600	\$ (600)	\$ 40,629	\$ 2,165
275,000		25,000	(25,000)	250,000	14,888
10,000		5,000	(5,000)	5,000	573
40,000		20,000	(20,000)	20,000	1,840
80,000		10,000	(10,000)	70,000	3,705
500,000		35,000	(35,000)	465,000	22,588
490,000		20,000	(20,000)	470,000	22,467
355,000		20,000	(20,000)	335,000	15,102
355,000		15,000	(15,000)	340,000	16,615
745,000		25,000	(25,000)	720,000	47,572
300,000		10,000	(10,000)	290,000	13,852
	585,000		585,000	585,000	
	550,000		550,000	550,000	
	1,805,000		1,805,000	1,805,000	
<u>3,191,229</u>	<u>2,940,000</u>	<u>185,600</u>	<u>2,754,400</u>	<u>5,945,629</u>	<u>161,367</u>
370,000		370,000	(370,000)	-	12,590
255,000		255,000	(255,000)	-	5,198
210,000		210,000	(210,000)	-	7,324
675,000		675,000	(675,000)	-	12,624
	1,200,000	1,200,000		-	27,334
	765,000	765,000		-	17,425
	280,000		280,000	280,000	
	400,000		400,000	400,000	
	200,000		200,000	200,000	
	210,000		210,000	210,000	
<u>1,510,000</u>	<u>3,055,000</u>	<u>3,475,000</u>	<u>(420,000)</u>	<u>1,090,000</u>	<u>82,495</u>
5,127		2,169	(2,169)	2,958	170
18,750		18,750	(18,750)	-	113
<u>23,877</u>	<u>-</u>	<u>20,919</u>	<u>(20,919)</u>	<u>2,958</u>	<u>283</u>
199,472			12,931	212,403	
<u>\$ 4,924,578</u>	<u>\$ 5,995,000</u>	<u>\$ 3,681,519</u>	<u>\$ 2,326,412</u>	<u>\$ 7,250,990</u>	<u>\$ 244,145</u>

NOTES TO FINANCIAL STATEMENTS

POTTAWATOMIE COUNTY, KANSAS

NOTE N: SCHEDULE OF MATURITY OF LONG TERM DEBT

The current maturities of long term debt and interest for the next five years and in five year increments through maturity as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
PRINCIPAL					
General obligation bonds	310,600	295,700	305,700	315,800	330,800
Temporary notes	1,090,000				
Capital leases payable	<u>2,071</u>	<u>1,067</u>	<u></u>	<u></u>	<u></u>
TOTAL PRINCIPAL	<u>1,402,671</u>	<u>296,767</u>	<u>305,700</u>	<u>315,800</u>	<u>330,800</u>
INTEREST					
General obligation bonds	277,957	247,775	233,522	219,058	204,273
Temporary Notes	41,328				
Capital leases payable	<u>89</u>	<u>12</u>	<u></u>	<u></u>	<u></u>
TOTAL INTEREST	<u>319,374</u>	<u>247,787</u>	<u>233,522</u>	<u>219,058</u>	<u>204,273</u>
	<u>\$ 1,722,045</u>	<u>\$ 544,554</u>	<u>\$ 539,222</u>	<u>\$ 534,858</u>	<u>\$ 535,073</u>

<u>2012-2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>2027-2031</u>	<u>2032-2036</u>	<u>Total</u>
1,889,600	1,325,900	1,152,700	10,000	8,829	5,945,629 1,090,000 3,138
<u>1,889,600</u>	<u>1,325,900</u>	<u>1,152,700</u>	<u>10,000</u>	<u>8,829</u>	<u>7,038,767</u>
788,202	427,668	149,308	3,939	1,105	2,552,807 41,328 101
<u>788,202</u>	<u>427,668</u>	<u>149,308</u>	<u>3,939</u>	<u>1,105</u>	<u>2,594,236</u>
<u>\$ 2,677,802</u>	<u>\$ 1,753,568</u>	<u>\$ 1,302,008</u>	<u>\$ 13,939</u>	<u>\$ 9,934</u>	<u>\$ 9,633,003</u>

OTHER FINANCIAL INFORMATION

SCHEDULE A - COMPOSITION OF ENDING CASH BALANCES

POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

COUNTY TREASURER

Checking account:

Farmers State Bank, Westmoreland \$ 8,506,676

Savings account:

First National Bank, Wamego 9,270

Certificates of deposits:

Morrill and Janes Bank, Onaga 4,100,000

Kansas State Bank, Manhattan 2,000,000

Kaw Valley State Bank, Wamego 3,650,000

Union State Bank, Olsburg 400,000

St. Marys State Bank, St. Marys 1,500,000

First National Bank, Wamego 1,000,000

First National Bank, St. Marys 2,750,000 15,400,000

Change fund and petty cash 850

Treasury bills 11,499,140

\$ 35,415,936

CLERK OF THE DISTRICT COURT

Checking:

Farmers State Bank, Westmoreland 469,137

POTTAWATOMIE COUNTY SHERIFF

Checking:

Farmers State Bank, Westmoreland 2,210

COMPONENT UNITS

Pottawatomie County Economic Development Corp. 362,573

Pottawatomie County Extension Council 21,573 384,146

TOTAL CASH BALANCES

\$ 36,271,429

See independent auditors' report.

SCHEDULE B—RECONCILIATION OF 2004 TAX ROLL

POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

2005 Tax roll - as adjusted:

County Clerk's abstract of 2004 tax roll	\$ 29,677,516
Special assessments	797,478
16/20 M trucks	35,737
Personal Property under \$5	(986)
General tax differences	183
Adjustments to original tax roll:	
Added taxes	16,606
Abated taxes	(60,149)

Adjusted 2005 tax roll	<u>\$ 30,466,385</u>
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2005 tax roll - as accounted for:

Collections during 2004 through December 2005	\$ 16,186,240
Collections during 2005 through September 2006	13,874,894
Refunds through September 2006	(33,573)

Net tax roll collections	<u>30,027,561</u>
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Delinquent personal property as of September 30, 2005	372,575
Delinquent real estate taxes as of September 30, 2005	66,249

Net delinquent taxes	<u>438,824</u>
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2005 tax roll accounted for	<u>\$ 30,466,385</u>
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See independent auditors' report.

**SCHEDULE C - CASH RECEIPTS AND EXPENDITURES
CLERK OF THE DISTRICT COURT**

POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

Balance, Beginning of Year	\$ 98,862
Receipts:	
Judgements, restitutions, etc.	1,122,655
Clerk fees - State	151,128
Fines	132,707
Law enforcement training center	20,118
Refund	277
Law library	20,596
State attorney fee	16,095
County attorney fee	30,044
Other	28,168
Clerk fees - County	7,005
Marriage license fees	4,000
Interest	2,295
Prosecuting attorney training center	1,949
Indigent defense fees	3,370
Judicial branch surcharge	12,021
TOTAL RECEIPTS	1,552,428
Expenditures:	
To State Treasurer:	
Clerk fees	151,128
Fines	132,707
Law enforcement training center	20,118
State attorney fees	16,095
Marriage license fees	4,000
Interest	2,039
Reinstatement fees	2,836
Indigent defense fees	3,370
TOTAL EXPENDITURES TO STATE TREASURER	332,293

See independent auditors' report.

**SCHEDULE C - CASH RECEIPTS AND EXPENDITURES
CLERK OF THE DISTRICT COURT**

POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

Expenditures:

To County Treasurer:

County attorney fees	\$ 30,044
Other	25,038
Refund	277
Law library	20,596
Clerk fees	7,005
Prosecuting attorney training	<u>1,949</u>

TOTAL EXPENDITURES TO COUNTY TREASURER 84,909

Judgement, restitutions and other	752,930
Judicial branch surcharge	<u>12,021</u>

764,951

TOTAL EXPENDITURES 1,182,153

BALANCE, END OF YEAR \$ 469,137

Composition of ending balance:

Cash in Farmers State Bank, Westmoreland, Kansas	<u>\$ 469,137</u>
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See independent auditors' report.

**SCHEDULE C - CASH RECEIPTS AND EXPENDITURES
COUNTY SHERIFF**

POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

Balance, Beginning of Year	<u>\$ 1,816</u>
Receipts:	
VIN fees	12,920
Miscellaneous fees	23,115
Sheriff's fees	7,401
Concealed carry fees	<u>1,960</u>
TOTAL RECEIPTS	<u>45,396</u>
Expenditures:	
To County Treasurer:	
VIN fees	12,750
Sheriff's fees	7,619
Concealed carry fees	<u>1,520</u>
TOTAL EXPENDITURES TO COUNTY TREASURER	21,889
Other expenditures	<u>23,113</u>
TOTAL EXPENDITURES	<u>45,002</u>
BALANCE, END OF YEAR	<u><u>\$ 2,210</u></u>
Composition of ending balance:	
Cash in Farmers State Bank, Westmoreland, Kansas	<u><u>\$ 2,210</u></u>

See independent auditors' report.

**SCHEDULE D—ACCOUNTS RECEIVABLE-CHARGES, CREDITS AND BALANCE
COUNTY ENGINEER**

POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

Balance, January 1, 2006	\$	-
Add charges:		
Sales of services, material and equipment		246,120
Less credits:		
Collected on account		<u>246,120</u>
Ending Balance, December 31, 2006	\$	<u><u>-</u></u>

See independent auditors' report.

**SCHEDULE D—ACCOUNTS RECEIVABLE-CHARGES, CREDITS AND BALANCE
NOXIOUS WEED**

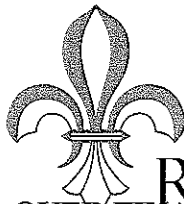
POTTAWATOMIE COUNTY, KANSAS

Year Ended December 31, 2006

Balance, January 1, 2006	\$	1,789
Add charges:		
Sales of services, material and equipment		152,837
Less credits:		
Collected on account		<u>151,226</u>
Ending Balance, December 31, 2006	\$	<u><u>3,400</u></u>

See independent auditors' report.

GOVERNMENTAL AUDITING STANDARDS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

REESE & NOVELLY, P.A.

Certified Public Accountants

*Rick I. Reese, CPA
Nicholas J. Novelly, CPA
Carol E. McCullough, CPA*

*Annette D. Fiedler, CPA
Patricia E. Ungeheuer, CPA*

Board of County Commissioners
Pottawatomie County, Kansas

We have audited the accompanying basis financial statements of Pottawatomie County, Kansas (County), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the method of accounting adopted by the County such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the County, in a separate letter dated April 30, 2007.

This report is intended solely for the information and use of management, the County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reese & Navelly, PA

Wamego, Kansas
April 30, 2007